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FISCAL IMPACT STATEMENT

LS 7393 **NOTE PREPARED:** Mar 14, 2013
BILL NUMBER: SB 560 **BILL AMENDED:** Mar 14, 2013

SUBJECT: Utility Transmission.

FIRST AUTHOR: Sen. Hershman **BILL STATUS:** CR Adopted- 2nd House
FIRST SPONSOR: Rep. Koch

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) The bill requires the Office of Utility Consumer Counselor (OUCC) to investigate a utility's petition for a transmission, distribution, and storage system improvement charge (TDSIC) and report its activities to the Indiana Utility Regulatory Commission (IURC). The bill authorizes the Counselor to request additional funding from the State Budget Agency (SBA).

The bill allows a utility to designate a test period for the commission to use in determining an increase in the utility's rates and charges. It provides that a utility may impose a temporary increase in rates and charges while its rate case is pending before the commission. It requires a utility to provide a refund to customers if the temporary rates and charges exceed the rates and charges approved by the commission. It authorizes a utility that provides electric or gas service to petition the commission to recover TDSIC costs. It requires the utility to petition the commission for approval of a seven-year plan for eligible transmission, distribution, and storage improvements.

The bill allows a customer of an electricity supplier that is: (1) a public utility; and (2) under the jurisdiction of the IURC for the approval of rates and charges, to petition the commission for a temporary discount to the demand component of the customer's rates and charges established in the electricity supplier's applicable standard tariff for service to a single Indiana facility of the customer. It requires: (1) preapproval by the Indiana Economic Development Corporation (IEDC) of the customer's requested temporary discount amount; and (2) that an electricity supplier defer the cost of a discount for subsequent recovery in its next general retail electric rate case.

The bill allows counties to establish infrastructure development zones. It provides that natural gas, broadband and advanced services, and water infrastructure would be exempt from property tax in an infrastructure development zone.

The bill requires the Indiana Department of Transportation (INDOT) to develop a program to coordinate the use of public rights of way with utilities when the INDOT undertakes an infrastructure improvement project.

Effective Date: July 1, 2013; Upon passage.

Explanation of State Expenditures: *Office of Utility Consumer Counselor*: The OUCC will incur additional cost related to TDSIC petition investigation. The bill allows OUCC to submit a request for additional funding to the SBA.

Indiana Utility Regulatory Commission: The petition for a transmission, distribution, and storage system improvement charge (TDSIC) rate has to be approved by the IURC. The bill provides additional responsibilities to the IURC relating to the review and approval of a TDSIC rate increase to the IURC. The bill also provides a new process under which the IURC would approve new electrical utilities if certain conditions are met.

Any increase in administrative costs to the IURC or OUCC will be offset by public utility fees. The IURC and the OUCC are funded by public utility fees. Each public utility must pay an amount equal to 0.15% of its gross intrastate operating revenues for the preceding calendar year. The actual fee is based on the budgets of IURC and OUCC. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a $250,000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees.

(Revised) *Indiana Economic Development Commission:* The bill requires a public utility to apply for and receive from the IEDC approval to treat costs associated with a targeted economic development as TDSIC costs. It also requires the IEDC approval for a temporary discount to certain utility customers. IEDC's current resources should be sufficient to implement the provisions in the bill.

Indiana Department of Transportation: The bill requires INDOT to share information with the public utilities and develop a program to create efficiency related to public-rights-of-way. INDOT's current resources should be sufficient to implement the provisions in the bill.

(Revised) *Regulatory Flexibility Committee:* The bill urges the Legislative Council to assign to the Regulatory Flexibility Committee the topic of electric customer choice programs. It requires that if the topic is assigned to the committee, the committee shall issue a final report to the Legislative Council containing the committee's findings and recommendations. The Regulatory Flexibility Committee has 23 members, all of whom are legislators. The committee operates under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of $16,500 per interim for committees with 16 members or more. If there are additional meetings because of the study, there could be additional costs for travel and per diem. However, all costs would need to fall within the committee's budget.

Explanation of State Revenues: (Revised) *Utility Rates*: The bill provides that subject to IURC approval, a utility may increase rates and charges to recover TDSIC costs. The IURC may not approve a TDSIC that would result in an average aggregate increase in a public utility's total revenues by more than 2% in a 12-month period.

The bill also allows a public utility that provides electric or gas utility service may file with the commission rate schedules establishing a TDSIC that will allow the periodic automatic adjustment of the public utility's basic rates and charges to provide for timely recovery of 80% of approved capital expenditures and TDSIC costs. The petition must: (1) use the customer class revenue allocation factor based on firm load approved in the public utility's most recent retail base rate case order; (2) include the public utility's seven-year plan for eligible transmission, distribution, and storage system improvements; and (3) identify projected effects of the plan on retail rates and charges.

To the extent that the provisions of this bill result in a increase of utility rates, there could be an increase in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The potential fiscal impact is indeterminable.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: Any increase in the cost of electricity or natural gas could lead to increase in local utility expenditures.

Explanation of Local Revenues: *Infrastructure Development Zones*: Under this provision, counties would be permitted to designate certain territories as an infrastructure development zone. Certain infrastructure property located in the zone would be exempt from property taxes. Eligible infrastructure property would include:

(1) Property used in the delivery of natural gas, or supplemental or substitute forms of gas sources by a natural gas utility;
(2) Facilities or technologies used in the deployment or transmission of broadband service by a service provider; and
(3) Facilities used in the treatment, storage, or distribution of water by a water utility.

This bill could encourage new infrastructure investment in the territories. The new property would be exempt from property tax. Existing eligible infrastructure in the territory, if any, would also be exempt under this bill. If existing property is exempted, the tax base would be reduced causing an increase in tax rates. The tax rate increase would shift a part of the property tax burden from the newly exempt property to all other taxpayers. In areas where some taxpayers have reached the circuit breaker caps, a tax rate increase could cause additional revenue losses for local civil taxing units and school corporations. The actual fiscal impact would depend on local actions.

State Agencies Affected: OUCC, IURC, SBA, INDOT, IEDC.

Local Agencies Affected: Local units of government.

Information Sources:

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